



The Effect of Warning Letters, Coercing Letters, and Confiscation on the Disbursement of Tax Arrears at the Regional Office of the Directorate General of Taxes, Central Jakarta

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Abstract. This study aims to analyze the influence of warning letters, warrants, and seizures on the disbursement of tax arrears. The object of this study was 15 tax service offices in the Central Jakarta Regional Office of the Directorate General of Taxes. The data used in this study is quantitative data in the form of secondary data obtained from the annual reports of each collection section at the tax service office from 2012 to 2014. Using the panel data method processed with eviews 8. The results of this study indicate that the warrant has a significant effect on the disbursement of tax arrears. While warning letters and seizures do not have a significant effect.

Keywords: Warning Letter, Compulsory Letter, Seizure, Disbursement of Tax Arrears

1 Introduction

Based on the 2014 central government financial report (Auited), tax receivables at the Directorate General of Taxes (DGT) as of December 31, 2012 were Rp70,721,181,887,660. And as of December 31, 2012, December 2013 rose to Rp77,366,561,749,071. Meanwhile, per December 31, 2014 decreased to Rp67,750,716,880,930. The amount of receivables is the tax bill listed in the Tax Underpayment Assessment Letter (SKPKB), the Tax Underpayment Assessment Letter Additional (SKPKBT), and Tax Bill (STP) or Tax Payable Notification Letter (SPPT) that have not been paid by the taxpayer (1)

Based on these conditions, tax debts that are the obligation of taxpayers or taxpayers certainly require tax collection actions by tax authorities, particularly the collection section at a Tax Service Office (KPP). Collection is a series of steps. Actions taken by the tax authorities to ensure that taxpayers or taxpayers pay off their tax debts and tax collection costs. In active collection actions, the tax authorities are authorized to reprimand or warn, carry out immediate and simultaneous collection, issuing a writ of execution, proposing prevention, carrying out confiscation, carrying out hostage taking, carrying out confiscations, carrying out hostage taking and selling confiscated goods (2)

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2 Research Purposes

The aim of this research refers to tax collection actions, so the aims of this research include:

1. To analyze the influence of warning letters on the disbursement of tax arrears in the Central Jakarta Regional Office of the Directorate General of Taxes.
2. To analyze the influence of the writ of execution on the disbursement of tax arrears in the Central Jakarta Regional Office of the Directorate General of Taxes.
3. To analyze the effect of the Order to Execute Confiscation (SPMP) on Disbursement of tax arrears in the Central Jakarta Regional Tax Office.

3 Literature review

The definition of tax debt according to Article 1 number 8 of PPSP Law Number 19 of 2000 is tax that still has to be paid including administrative sanctions in the form of interest, fines or increases stated in a tax assessment letter or similar letter based on the provisions of regulations tax legislation (3–5).

Formally, tax debt arises from the issuance of a tax bill or tax assessment letter. Tax debts listed in the Tax Bill (STP), Tax Underpayment Assessment Letter (SKPKB), Additional Tax Underpayment Assessment Letter (SKPKBT) and Objection Decision Letter, Correction Decision Letter, Appeal Decision, and Review Decision, which cause the amount of tax to be paid to increase, must be paid no later than 1 (one) month from the date of the tax bill or The tax assessment letter is issued (Article 9 paragraph 3 of the PPSP Law), unless the Taxpayer makes legal efforts such as objections, appeals, or judicial reviews that postpone the payment period given by one month to 1 (one) month from the date of issuance of the decision on each of these legal efforts. Tax debts by taxpayers that are not paid by the due date are categorized as tax arrears (6).

As regulated in Article 18 paragraph (1) of the KUP Law Number 16 of 2009, the basis used in collecting taxes is the Tax Bill (STP), Tax Underpayment Assessment Letter (SKPKB), Additional Tax Underpayment Assessment Letter (SKPKBT), Correction Decision Letter (SK Pembetulan), Objection Decision Letter (SK Kebatan), and Appeal and Judicial Review Decisions, which cause the amount of tax still to be paid to increase (3,6,7).

In accordance with Article 1 number 10 of the PPSP Law, a warning letter, a warning letter or similar letter is a letter issued by an Official to reprimand or warn Taxpayers to pay their tax debts. The legal basis for issuing a warning letter or a caution letter or other similar letter is Article 8 paragraph (2) of the PPSP Law which states that a Warning Letter or a Warning Letter or other similar letter is issued if the Taxpayer does not pay their tax debts by the payment due date. Based on the same law, a Warning Letter is not issued to Taxpayers who have been approved to pay in installments or postpone tax payments (8,9).

4 Variables

The dependent variable in this study is the disbursement of tax arrears, which is annual data taken from the Collection section report at the Central Jakarta Regional Office of the Directorate General of Taxes. The data on the disbursement of tax arrears taken is the total data on arrears payments disbursed by each KPP in environment of the Central Jakarta Regional Office of the Directorate General of Taxes in the 3 year period, 2012-2014.

The independent variable in this study is warning letters. Warning letters are calculated from the total number of warning letters issued by the collection section at each tax office within the Central Jakarta Regional Tax Office. The data obtained is stored by the collection section at the Central Jakarta Regional Tax Office.

Meanwhile, the demand warrants are calculated from the total value of demand warrants issued by the collection section at each tax office within the Central Jakarta Regional Tax Office. The data obtained is stored by the collection section at the Central Jakarta Regional Tax Office and the Seizure Order (SPMP) is calculated from the total value of the Seizure Order (SPMP) issued by the collection section at each KPP of the Central Jakarta Regional Tax Office. The data obtained is data already stored in the collection section at the Central Jakarta Regional Tax Office.

5 Research Design

The data analysis carried out is a quantitative analysis expressed in numbers and calculations using statistical methods assisted by the e-views program with the aim of seeing the influence of independent variables on dependent variables (10). The data analysis used in this study is panel data with a time period of 3 years, 2012–2014. The rationale for this study was to determine the disbursement rate of tax arrears payments at tax offices within the Central Jakarta Regional Office of the Directorate General of Taxes (DGT). The researchers saw a new opportunity to determine the effectiveness of the disbursement of tax arrears at each tax office under the auspices of the Directorate General of Taxes (DGT).

6 Data collection technique

This study uses panel data (pooled data), which is a combination of time series and cross-section data. Time series data is data that is observed over time. Cross-section data is data whose observations are carried out at one time with many objects. The data used in this study is quantitative data, which is secondary data sourced from monthly reports prepared by the Collection Section at each KPP.

The data is time series data in the form of monthly data on the value of tax arrears that were warned to be paid with a Warning Letter, the value of tax arrears that were forced to pay with a Distress Letter, and the value of tax arrears payments by taxpayers with SPMP. The data is data for the period January 2012 to December 2014.

Sample which taken using a purposive sampling method. Purposive sampling is sampling

conducted in accordance with the stated research objectives (11). The sample in this study was 15 Tax Service Offices (KPP) within the Central Jakarta Regional Office of the Directorate General of Taxes.

Table 1. List of Sample Tax Service Offices (KPP) at the Central Jakarta Regional Office of the Directorate General of Taxes

No	Tax Office Code	Name of KPP
1.	021	Jakarta Menteng One Tax Office
2.	022	Jakarta Tax Office Tanah Abang One
3.	023	Jakarta First Tax Office, Monday
4.	024	Jakarta Cempaka Putih Primary Tax Office
5.	025	Jakarta Gambir One Primary Tax Office
6.	026	Jakarta Sawah Besar One Pratama Tax Office
7.	027	Jakarta Kemayoran Primary Tax Office
8.	028	Jakarta Gambir Dua Tax Office
9.	029	Jakarta Gambir Tiga Tax Office
10.	071	Jakarta Menteng Dua Primary Tax Office
11.	072	Jakarta Primary Tax Office Tanah Abang Dua
12.	073	Central Jakarta Medium Tax Office
13.	074	Jakarta Gambir Empat Tax Office
14.	075	Jakarta Sawah Besar Two Pratama Tax Office
15.	076	Jakarta Menteng Tiga Primary Tax Office

Source: Central Jakarta Regional Office of the Directorate General of Taxes

7 Analysis Method

The method used in this research is panel regression, panel regression is a combination of time series data and cross section data (many objects, lots of time) is usually used if researchers are faced with the problem of limited sample sizes which are too small so that to increase the sample size, pooling/panel sampling can be carried out. Panel data, or pooled data, is a combination of time series and cross-sectional data. Panel data can substantially reduce the problem of omitted variables, models that ignore relevant variables (12).

To address intercorrelations between independent variables, which can ultimately lead to inaccurate regression estimates, panel data methods are more appropriate. Panel data can also be useful for pragmatic reasons. Research sometimes encounters issues regarding data availability to represent the variables used in the study. By combining time-series data, *series* and cross section (pooling), then the number of observations increases significantly without performing any treatment on the data. The equation is as follows:

$$SSP = c + b1ST_{1it} + b2SP_{2it} + b3SPMP_{3it} + \mu \quad (1)$$

Where :

SSP = Disbursement of Tax Arrears

ST = Warning Letter

SP = Compulsory Letter

SPMP = Seizure

C = constant

μ = error variable

8 Analysis and Discussion

8.1 Model selection

The variables in this research include the disbursement of tax arrears which is described by a Tax Payment Letter (SSP), Warning Letter (ST), Force Letter (SP) and Confiscation Order (SPMP). Below are the results of descriptive statistics that have been processed and can be seen as follows:

Table 2. Descriptive Statistics of Data

	SSP	ST	SP	SPMP
Mean	60.51889	98,342	80.75956	4.009333
Median	19.01	25.65	18.25	0.16
Maximum	619	2044.69	1806.11	32.48
Minimum	4.04	5.74	0.45	0
observations	45	45	45	45
Cross sections	15	15	15	15

Source: Secondary data processed by ereviews 8

Based on table 2 above, it can be said that there were 45 samples in total from 2012 to 2014 (3 years) with 15 KPPs at the Central Jakarta Regional Office of the Directorate General of Taxes.

This study uses the Panel Data Regression method. The initial stage is to select the most appropriate model among the Common Effect, Fixed Effect, and Random Effect models. First, the data is converted into the Common Effect model and compared with the Fixed Effect model using the Redundant Fixed Test – Chow Test, with the following results:

Table 3. Results Redundant Fixed Effect – Chow Test

<i>Effect Test</i>	<i>Statistics</i>	<i>df</i>	<i>Prob.</i>
<i>Cross-section</i>	115.6361	14	0.0000
<i>Chi-square</i>	85		

Source: Data processed with Eviews 8.

By using the following hypothesis:

Ho: Common Effect Method

Ha: Fixed Effect Method

If Prob. Cross-Section Chi-Square < 0.05, then the decision is that Ho is rejected and Ha is accepted, conversely if Prob. *Cross-Section Chi-Square*> 0.05 then Ho is accepted and Ha is rejected. In the table 3 The results of the Redundant Fixed Effect Test Prob. Cross-Section 0.0000 < 0.05, so Ho is rejected and Ha is accepted so that the selected method is the Fixed Effect Method.

The second stage, the previously selected model is based on the table 3, namely the Fixed Effect model will be tested again with the Random Effect model using the Correlated Random Effect-Hausman Test with the following results:

Table 4. ResultsCorrelated Random Effect- Hausman Test

<i>Test</i>	<i>Chi-square</i>	<i>Chi-sq df</i>	<i>Prob.</i>
<i>Summary</i>	<i>Statistics</i>		
<i>Cross-section</i>	272.683983	3	0.0000
<i>Random</i>			

Source: Secondary data processed by Eviews 8.

By using the following hypothesis:

Ho: Random Effect Model

Ha: Fixed Effect Model

If Prob. Cross-Section Random < 0.05 then Ho is rejected and Ha is accepted and vice versa if Prob. Random Cross-Section > 0.05 Ho is accepted and Ha is rejected. In table 4 the

results of Correlated Random Effects – Hausman Test Prob. Cross-Section Chi-Square 0.000 < 0.05 then H_0 is rejected and H_a is accepted so the model is selected *Fixed Effect*.

Based on the results of the Redundant Fixed Effect Test and the results of the Correlated Random Effects Test, it can be concluded that the model used in this study is a Fixed Effect model.

8.2 Classical Assumption Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the nuisance errors in period $t-1$ (previous).

Table 5. Autocorrelation Test Results

	<i>Durbin-Watson Stat</i>
<i>Weighted Statistics</i>	2.441760
<i>Unweighted Statistics</i>	1.958772

Source: Data processed with Eviews 8.

The method used to detect whether or not there is autocorrelation is by conducting the Durbin-Watson stat test with a value range from 0 to 4. If the Durbin-Watson stat value is 0 to 1.5, then there is positive autocorrelation and if the Durbin-Watson stat value is 0 to 1.5, then there is positive autocorrelation and if the Durbin-Watson stat value is 0 to 1.5, then there is positive autocorrelation. *Watson stat* the value is 2.5 to 4, then it has negative autocorrelation.

In Table 5 above, the Durbin-Watson stat Weighted Statistics value shows a value of 2.441760 and the Durbin-Watson stat Unweighted Statistics value is 1.958772, which means that in this study there was no autocorrelation.

The heteroscedasticity test aims to test whether in the regression model there is inequality in the variance of the residuals from one observation to another.

Table 6. Heteroscedasticity Test Results

	<i>Sum squared residual</i>
<i>Weighted Statistics</i>	17097.67

<i>Unweighted Statistics</i>	23728.51
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Source: Data processed with Eviews 8.

The heteroscedasticity test is performed using the sum-squared residual. In the Fixed Effect model, if the sum-squared residual value of the Weighted Statistics is smaller than the sum-squared residual value of the Unweighted Statistics, then heteroscedasticity does not occur. In this study, Table 6 above shows the sum-squared residual value. *Weighted statistics* of 17097.67 and the sum squared unweighted statistics value of 23728.51. This study shows that there is no heteroscedasticity.

8.3 Hypothesis Testing

This model fit test or coefficient of determination is demonstrated by the Adjusted R-Squared in the resulting regression results. The purpose of Adjusted R-Squared is to determine the proportion or percentage of total variation in the dependent variable that has been explained by the independent variables together.

Table 7. Model Fit Test Results

<i>R-squared</i>	0.97 2912	<i>Adjusted R-squared</i>	0.95 5856
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Source: Data processed with Eviews 8.

Based on the data in Table 7 above, the Adjusted R-Squared value is 0.955856, or 95.59%. This value means that the variations in the independent variables (Warning Letter, Distress Letter, and Seizure Order) together can explain 95.59% of the behavior of the dependent variable (Tax Arrears Disbursement), while the remaining 4.41% can be explained. explained by other variables not included in the model with the *ceteris paribus* assumption.

The F statistical test aims to determine whether the independent variables jointly influence the dependent variable.

Table 8. F Test Results

<i>F-statistics</i>	57,04347	<i>Prob(F-statistic)</i>	0.000 000
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Source: Data processed with Eviews 8.

Based on table 8, it can be seen that the F-statistic is 57.04347 with a probability value of 0.000000 which means the probability of $0.000000 < 0.05$ ($\alpha=5\%$) then H_a is accepted, and H_0 is rejected. So it can be interpreted that the Warning Letter (ST), Compulsory Letter (SP) and the Order to Implement Confiscation (SPMP) together influence the disbursement of tax arrears

symbolized by the Tax Payment Letter (SSP).

The t-test aims to determine how much influence each independent variable has on the dependent variable. The following are the results of the t-test:

Table 9. T-Test Results

Variables	Regression Coefficient	Prob.	Conclusion
Letter of Warning (ST)	-0.266100	0.0942	No Significant Effect
Compulsory Warrant (SP)	0.386161	0.0313	Significantly Influential and Positive
Confiscation (SPMP)	-0.829569	0.2871	No Significant Effect

Source: Data processed with Eviews 8.

Based on table 9, the t-test results can be interpreted as follows:

- 8.1.1 The Warning Letter (ST) issued by the Tax Service Office (KPP) does not significantly influence the disbursement of tax arrears symbolized by the Tax Payment Letter (SSP) on the research object because $\text{prob. } 0.0942 > \alpha 0.05$.
- 8.1.2 The Compulsory Letter (SP) issued by the Tax Service Office (KPP) has a significant influence on the disbursement of tax arrears symbolized by the Tax Payment Letter (SSP) on the research object because $\text{prob. } 0.0313 < \alpha 0.05$.
- 8.1.3 The Seizure Execution Order (SPMP) issued by the Tax Service Office (KPP) does not significantly influence the disbursement of tax arrears symbolized by the Tax Payment Letter (SSP) on the research object because $\text{prob. } 0.2871 > \alpha 0.05$.

9 Discussion

Based on the theory, every implementation of tax collection, whether by means of a Warning Letter, a Letter of Compulsion or confiscation, has a positive relationship with the disbursement of tax arrears, meaning that every implementation of collection, whether by a Warning Letter, a Letter of Compulsion or confiscation, will have an impact on increasing the disbursement or settlement of tax arrears.

In this study, the Warning Letter variable does not have an effect on the disbursement of tax arrears symbolized by the Letter. Tax Payment Letter (SSP). The absence of a Warning Letter's effect on the disbursement of tax arrears, symbolized by a Tax Payment Letter (SSP), indicates that an increase or decrease in the nominal value of the Warning Letter has no effect on the Tax Payment Letter (SSP).

Meanwhile, the variable of the warrant variable is in line with the disbursement of tax arrears. This directional relationship means that as the nominal value of the warrant increases, the disbursement of tax arrears, symbolized by the Tax Payment Letter (SSP), will increase. This indicates that the warrant significantly influences the disbursement of tax arrears. Based on the research, the nominal value stated on the warrant is smaller than the nominal value of the disbursement of tax arrears at each KPP.

And the variable of the seizure order (SPMP) does not have a significant effect on the disbursement of tax arrears, symbolized by the Tax Payment Letter (SSP). This is due to the collection process in several jurisdictions. The KPP has completed the stage of issuing a Forced Letter. So the process of issuing a Confiscation Order (SPMP) was not carried out. Apart from that, only a few taxpayers were unable to pay off their tax debt from the time the Warning Letter was issued until the time the Order to Execute the Confiscation was issued.

10 Conclusion

In a way together (simultaneous), the variables of warning letters (ST), coercive letters (SP) and confiscation orders (SPMP) as a whole influence the disbursement of tax arrears in the Central Jakarta Regional Tax Office in the period 2012-2014. Individually, the Warning Letter (ST) variable did not have a significant influence on the disbursement of tax arrears in 2012-2014. In this case, the warning letter showed a non-unidirectional relationship, meaning that the higher the value of tax arrears that were warned to be paid, the lower the disbursement of tax arrears in the Jakarta Regional Tax Office.

Individually, the Distress Letter (SP) variable has a significant influence on the disbursement of tax arrears. This means that in this case, the Distress Letter shows a unidirectional relationship with the disbursement of tax arrears, meaning that the higher the value of tax arrears enforced by the Distress Letter, the higher the amount of tax arrears settled or disbursed within the Jakarta Regional Tax Office.

Regarding the variable of the Seizure Order (SPMP), individually the Seizure Order (SPMP) variable does not have a significant influence on the disbursement of tax arrears in 2012-2014. In this case, the Seizure Order (SPMP) shows a non-unidirectional relationship, meaning that the higher the value of tax arrears seized by the seizure letter, the lower the disbursement of tax arrears will be.

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